SGGF MANAGEMENT CORPORATION

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

2002 ANNUAL REPORT

SASKATCHEWAN GOVERNMENT
GROWTH FUND
MANAGEMENT CORPORATION

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MANDATE

The Saskatchewan Government Growth Fund Management Corporation was established in 1989 under Order-In-Council to create and manage investment Funds that have been accepted as government administered venture capital funds under the federal government's Immigrant Investor Program.

VISION

Saskatchewan Government Growth Fund Management Corporation envisions the creation of economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

MISSION

The mission of Saskatchewan Government Growth Fund Management Corporation is to participate in the federal government's Immigrant Investor Program for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms, thereby creating wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

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CORPORATE OVERVIEW

The federal Immigrant Investor Program (IIP) was created to promote, encourage and facilitate the immigration to Canada of experienced business persons from abroad who will make a positive contribution to Canada's economic development by applying their risk capital and business acumen to Canadian ventures which create jobs for Canadians.

Under the investor category of the program, investors are defined as persons who have successfully operated, controlled or directed a business or commercial undertaking and who have, from their own endeavors, accumulated a net worth of at least $500,000. The investor category is designed for successful business persons who wish to immigrate to Canada and invest in a Canadian enterprise but do not wish to participate in its management.

The guidelines of the IIP, as they apply to Saskatchewan, require investors to make an investment of $250,000 in a government-administered venture capital fund accepted by both the federal and provincial governments. Neither the federal government nor the provincial government provides any guarantee on the return of the principal to the investors. Saskatchewan participated in the program to avail itself of this source of investor capital to support employment creation in the province. In 1999, the province withdrew from the program.

Saskatchewan Government Growth Fund Management Corporation (SGGFMC) was established to create and manage the Funds set up under the terms of the IIP as government-administered venture capital funds. SGGFMC administers eight subsidiary Fund Companies. Each Fund is incorporated under **The Business Corporations Act**.

SGGFMC holds all voting shares for the Fund Companies and has appointed the directors of each Fund Company board. SGGFMC delegates all decisions and matters related to the subsidiary Fund Companies, including oversight of investment activities, to the boards of directors of the Fund Companies.

SGGFMC ensures that administrative and investment management services are provided to each of the Fund Companies through a long-term management agreement with Crown Capital Partners Inc. These services include fund marketing, investor relations and communication services related to the Immigrant Investor Program, investment and accounting services and managing the investment portfolios on behalf of the Fund Companies.

HIGHLIGHTS

- Since the inception of SGGFMC in 1989, the Fund Companies have raised over $282 million of immigrant investor capital.
- As part of the provincial participation in the IIP, over 1,450 experienced business persons have immigrated to Canada and now make a positive contribution to the Canadian economy.
- To the end of 2002, the Fund Companies invested more than $244 million in 70 new or expanding businesses and financing for infrastructure projects.
- In aggregate these companies have increased their level of sales from $274 million to $606 million and have increased their employment from 1,441 to 3,033.
- SGGF I has redeemed all its investors. It is working towards divesting itself of its remaining investments, the proceeds of which will allow payment of dividends to the General Revenue Fund (GRF) by SGGFMC.
- In 2002, SGGFMC declared a dividend of $0.8 million to be paid to the GRF.
- SGGF II and SGGF III have experienced liquidity problems in their investment portfolios. SGGF II has suspended payments to its remaining investors. SGGF III has reduced the repayment amounts to investors to 60% of the principal amount.

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March, 2003

Honourable Eric Cline
Minister Responsible

To Her Honour
The Honourable L.M. Haverstock
Lieutenant Governor of the
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Saskatchewan Government Growth Fund Management Corporation for the year ended December 31, 2002, including the consolidated financial statements duly certified in the form approved by the Treasury Board, all in accordance with **The Crown Corporations Act, 1993**.

I have the honour to be,

Your obedient servant,

Honourable Eric Cline
Minister Responsible
Saskatchewan Government Growth Fund Management Corporation

MESSAGE FROM THE CHAIR

During its ten-year participation in the federal government's Immigrant Investor Program the Saskatchewan Government Growth Fund Management Corporation (SGGFMC) has formed eight separate Fund Companies. These companies have raised more than $282 million from over 1,450 investors wanting to immigrate to Canada, making a significant contribution to venture capital financing in the province.

SGGF Fund Companies, which are managed by Crown Capital Partners Inc. (CCP), have deployed $244 million of this capital in the Saskatchewan economy. Nearly $173 million has been invested in 68 small and medium sized Saskatchewan companies. In addition, SGGF Funds have invested almost $72 million in infrastructure loans.

Since the eight Funds were offered successively they are in different stages of maturity. The first Fund, SGGF Ltd., has repaid all of its 651 immigrant investors and is in the process of liquidating its remaining portfolio. The latter Funds, SGGF VI through VIII, still have money available for investment and have investors as well as potential investors awaiting visa approval by federal immigration authorities.

As a result of changes to the Immigrant Investor Program in 1999, SGGFMC withdrew from the program and focussed its attention on completing its mandate to manage the eight Funds for the benefit of the Saskatchewan economy while providing a return of capital and nominal investment income to the immigrant investors.

Although the total investment capital managed by SGGFMC and the Fund Companies is in decline the project has helped to spawn a private venture capital industry in Saskatchewan that is self sufficient and will continue to serve the province and its business community in the years to come. During 2002, an important landmark was achieved when proceeds from divestitures in SGGF Ltd. enabled the declaration of a dividend of $800,000 by SGGFMC to the General Revenue Fund. This is the first dividend paid by SGGFMC.

Wilson H. Olive, Q.C.
Chair, Board of Directors
Saskatchewan Government Growth Fund Management Corporation

MESSAGE FROM MANAGEMENT

SGGFMC ceased marketing investment units under the federal government's IIP on March 31, 1999. Prior to exiting the program, SGGFMC had successfully marketed eight immigrant investor Funds. More than 1,450 immigrant investors have subscribed $282 million to SGGF Funds under the program.

At the end of 2002, there remain 96 subscribers, representing a potential of $24 million, who have yet to complete their subscription requirements under the IIP. Typically, subscribers will forward their subscription amount immediately prior to their scheduled interview. Based on our experience so far, we expect subscription monies to flow into the several open Funds over the next year. We do not expect to receive all the outstanding subscriptions because some of the applicants will fail to qualify or may decide not to immigrate to Canada.

The Funds were offered sequentially to the immigrant investor market and so each is at a different stage of its natural life cycle. SGGF I, having repaid all of its immigrant investors, is in the process of exiting its remaining assets. SGGF I is returning any cash surplus to the General Revenue Fund. In 2002, the first dividend of this cash surplus was made to SGGFMC. SGGFMC has accrued and will pay this cash surplus to the General Revenue Fund on March 31, 2003.

SGGF II and SGGF III are proceeding with an orderly liquidation of the remaining Fund assets in order to maximize cash available for distribution to unpaid investors. SGGF IV is beginning the orderly liquidation of its holdings to meet investor redemption schedules. SGGF V is a mature Fund focused on monitoring the performance of its investees and satisfying its investment requirements. SGGF VI, SGGF VII and SGGF VIII are continuing to receive new subscription capital from immigrant investors and pursuing new investment opportunities.

Since inception, the Funds have invested $172.8 million in 68 new or expanding Saskatchewan businesses. In aggregate, these companies have increased their level of sales from $274 million to $606 million and have expanded their employment from 1,441 to 3,033. In addition, the SGGF Funds have invested $71.6 million in infrastructure loans.

Generally SGGF backed companies have achieved their business strategies. However, a number of the investee companies have experienced or are experiencing difficulties for a variety of reasons including startup problems, low commodity prices, a lack of working capital, and poor marketing performance. Where possible our investment managers attempt to work with management to help them overcome these difficulties. Where companies have failed or are experiencing financial hardship we will sometimes bring in new management with additional capital in an attempt to restructure the business in a successful manner.

The repayment of an investor's subscription is not guaranteed and the repayment of subscriptions relies solely on the financial performance of the specific Fund. One Fund, SGGF II, has not been able to repay all of its investors as their bonds mature due to lower than expected cash returns from its investments. As a result, twelve investors received a partial payment of $150,000 and 31 investors have not received any repayment so far. Extra effort has been made to keep these investors informed of the status of the Fund. Thus far, the investors are satisfied that the option to pursue an orderly liquidation of the remaining Fund assets will get the maximum value for distribution to the investors.

SGGF III is also in the process of winding up its portfolio and liquidating investments to meet the scheduled investor repayments. The Fund has experienced a mismatch in meeting the timing of its cash requirements. Consequently, 81 bondholders have been provided 60% of their scheduled payment on the maturity of their notes, with payment of any amount in addition to the initial payment at maturity being dependent on the liquidation of investments.

Although the Funds invested $4.1 million in small and medium sized business and $21.5 million in infrastructure loans during the year, the pace of investment was not sufficient to meet the requirements of the IIP. As a result, a number of investors have not had 70% of their subscription amount invested in an eligible business within nine months. The board of directors of the Fund Companies has always insisted that making quality investment decisions was more important than meeting the timetable. However, they have undertaken to accelerate the pace of investment to eliminate the problem by June of 2003.

SGGF Management Corporation and each of the Fund Companies have a long-term management agreement with Crown Capital Partners Inc. (CCP) for the provision of administrative and investment management services to each of the Fund Companies and SGGFMC. This agreement is believed to be the most effective way to continue to provide quality services to the diminishing pool of capital under management as SGGFMC gradually exits the program.

STRATEGIC PERFORMANCE REPORTING

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for Saskatchewan's commercial Crown corporations. For governance purposes, SGGFMC is designated as a CIC Crown Corporation. SGGFMC was established to create and manage investment Funds that have been accepted as government administered venture capital funds under the federal government's IIP.

Under the program, eight subsidiary Funds have been created. The Funds were marketed to eligible and qualified foreign investors who in return for their investment subscription to a Fund received Canadian citizenship under relaxed immigration criteria. The Funds make the investment capital raised from these immigrant investors available to small and medium-sized businesses and infrastructure projects in Saskatchewan to support economic growth and diversification.

In 2001, CIC and its subsidiaries refreshed its Crown Sector Strategic Plan to provide long-term direction to the Crown corporation sector, and facilitate long term planning. The plan includes a guiding vision statement for the Crown sector, its primary business purposes, common business values and strategic business objectives.

SGGFMC supports these strategic objectives and has developed specific objectives, measures and targets that are aligned with these expectations. The investment activities carried out through the SGGF Funds contribute and support the following strategic directions:

- to advance the social and economic policies of the people of Saskatchewan with a specific objective to contribute to economic diversification and growth through the supply of immigrant investor capital to Saskatchewan business; and,
- to operate effectively and efficiently to provide an appropriate return to the people of Saskatchewan as a result of this investment activity.

FINANCIAL PERSPECTIVE

Strategy- a planned, orderly, profitable exit and wind-up strategy for each Fund to maximize profits to be paid to the General Revenue Fund in a timely manner.

Objectives	Measures	2002 target	2002 actual	2003-06 target	Discussion
Return cash surplus to the General Revenue Fund (GRF)	Annual cash surplus declared as dividend to SGGFMC from the Funds.	$0M	$.8M[1]	$9M[2]	Annual cash surplus declared as dividend to SGGFMC from the Funds. SGGFMC makes an equivalent payment to the GRF

[1] Payment from planned 2001 divestitures/ sale transactions was delayed until 2002.
[2] Reflects distribution of anticipated surplus from 2003 to 2007.

STRATEGIC PERFORMANCE REPORTING (continued)

SGGFMC strategic objectives, measures and targets are approved annually as SGGFMC's Balanced Scorecard. The Crown Sector Strategic Plan and Balanced Scorecard together form an integrated short –and –long-term strategic performance management system. SGGFMC measures its performance against the following key objectives using this system.

Significant Corporate Issues and Objectives for 2003

The board of directors of the Fund Companies must carefully balance the objective to make commercially sound investments with the objective to meet the investment timing requirements of the IIP. Under the terms of the program, investors must have 70% of their subscription amount invested in an eligible business within nine months. Significant progress was made during 2002, placing $25.6 million of immigrant investor capital in eligible Saskatchewan businesses. The Funds will continue to focus on accelerating the pace of this investment to eliminate the timing issue by June of 2003.

The receipt of investor capital subscriptions for the three newer Funds, SGGF VI, SGGF VII and SGGF VIII, has been considerably slower then projected. It appears the main cause is the slow rate at which the federal government is processing the immigrant visa applications. While this processing is outside of the control of SGGFMC, the trend must be monitored to determine the impact on the viability of the Funds.

PUBLIC POLICY PERSPECTIVE

Strategy - to advance provincial economic growth and development.

Objectives	Measures	2002 target	2002 actual	2003-06 target	Discussion
Supply of foreign capital to support provincial economic growth.	Active capital participation in provincial SME's	$28M	$27M	$15M[3]	The active capital is expected to diminish over time as the earlier Funds mature and no new Funds are created.
Economic Impact[4]	Year over year employment growth in Investees	1.1%	31%	1.2%	SGGF backed SME's outperform provincial employment growth forecast.
	Year over year revenue growth in Investees	2%	34%	2.9%	SGGF backed SME's outperform provincial economic growth forecast.

[3] Represents the average active capital forecast for each year. The amount diminishes over the planning period due to SGGFMC exiting the program.

[4] Measured annually over life of fund investment/participation in small-medium enterprises (SME's)

GOVERNANCE STRUCTURE

As a CIC designated corporation, SGGFMC comes under the purview of the CIC governance structure and its financial statements are included in the CIC consolidated annual statements.

SGGFMC is sole shareholder of the eight Fund Companies established under **The Business Corporations Act**. As shareholder, SGGFMC has the authority to:

- appoint directors to the Boards of each of the Fund Companies;
- appoint an auditor for the Fund Companies;
- enter into management services contracts for services required by the Fund Companies; and,
- provide the Fund Companies with technical, accounting, legal or other services required.

Role of the Board

The SGGFMC Board of Directors is responsible for the stewardship of the Corporation. In order to carry out this responsibility, the Board approves the Corporation's overall strategic plan, operating budget and performance indicators.

The SGGFMC Board also sets broad performance indicators for the Fund Companies and monitors their results. However, with respect to investment of immigrant monies, the Board maintains an arms length relationship with the Fund Companies who have independent Boards responsible for their investment decisions.

Board Composition

The SGGFMC Board is composed of four individuals, two from outside government including the Board chair and two senior civil servants. All are independent of corporate management and of those providing management services to the Fund Companies. One independent director also serves as chair of the Fund Companies Boards thus providing an important link between the Boards of Fund Companies and the SGGFMC Board.

Board Orientation and director Development

Upon appointment, new Board members receive an orientation overview delivered by management. In addition, CIC delivers ongoing education for Directors to assist them in the performance of their duties.

Accountability and Board Performance

The SGGFMC Board has reviewed its governance practices against the TSX Corporate Governance Guidelines. These guidelines address the key areas or responsibility for effective corporate governance. Through the division of responsibilities between the SGGFMC Board and the SGGF Fund boards, where applicable, the current corporate governance practices satisfy these guidelines.

MANAGEMENT DISCUSSION AND ANALYSIS

The mission of SGGFMC is to participate in the federal government's IIP for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms. Investment of this capital creates economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

The ability of SGGFMC to raise additional funds under the IIP ended on March 31, 1999, when a new federal program was launched and SGGFMC declined to participate. The capital currently under management and from the three Funds launched in 1999 will require administration for at least the next six years.

SGGFMC manages eight government-administered venture capital Funds under the old IIP, specifically:

Saskatchewan Government Growth Fund Ltd. (SGGF I);
Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

Since 1989, SGGFMC has raised, through its Fund Companies, more than $282 million of immigrant investor capital for investment in Saskatchewan small- and medium-sized enterprises. To the end of 2002, over $244 million of this capital has been invested in 70 eligible businesses and infrastructure projects.

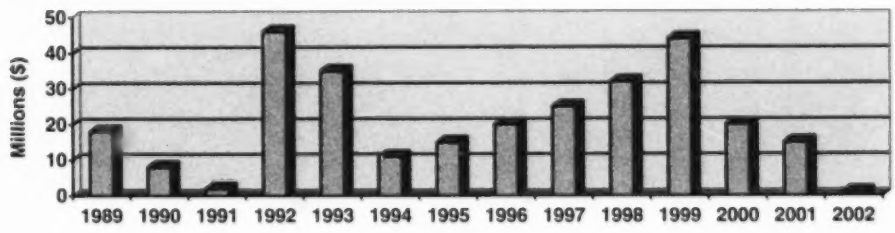
Substantially all of the administration and investment advisory services for the Fund Companies are contracted out to a fund manager. Each Fund Company is managed as a distinct entity and the fund manager is paid a monthly fee for its services. The manager will also receive a share of the net profits, if any, of a Fund after all liabilities, including investor obligations, of the Fund have been paid.

SGGF I's results have been consolidated with those of SGGFMC in these financial statements since all of SGGF I's investors have been redeemed and SGGFMC is now able to share in the risks and rewards of ownership of SGGF I.

The operating revenues of SGGFMC are based on its expenditure levels as ongoing management expenses are charged to the Fund Companies at a modest mark-up. Revenues of $3.4 million in 2002 are down from the $4.0 million earned in 2001.

Capital raised from the liquidation of investments in SGGF I has allowed SGGFMC to declare a dividend of $0.8 million to the Saskatchewan General Revenue Fund in 2002.

Investment Capital Raised



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Fund Company Highlights

SGGF I: Since the last of its investors were redeemed in 1998, the focus of the Fund has been on liquidating its investments when opportunities arise. Divestments of some of the remaining investments occurred during the year, enabling a cash surplus to be paid to SGGFMC and resulting in a dividend to the Saskatchewan General Revenue Fund.

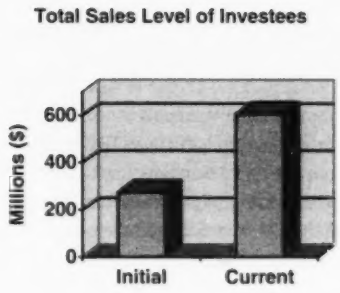
SGGF II: Repayment of obligations to investors who have not been repaid in full continued to be suspended throughout 2002. It is unlikely that the proceeds from the remaining investments will be sufficient to repay the remaining obligation in full.

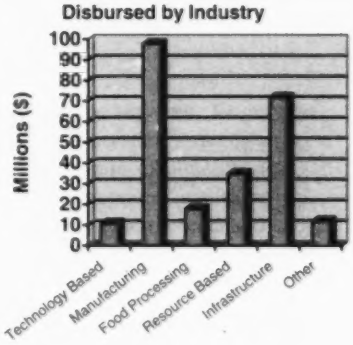
SGGF III: The priority for SGGF III in 2002 continued to be the liquidation of its portfolio in order to provide the funds necessary for investor repayments. However, liquidity problems in the investment portfolio identified in 2001 required SGGF III to reduce its payments on the investor notes maturing in January 2002 and later. At December 31, 2002, a total of 109 notes remain outstanding with partial payments being made on 60 notes during the year. It is not known with certainty when the remaining obligations can be repaid and if they can be repaid in full. The total investment portfolio stands at $7.8 million after write-down of investments and costs.

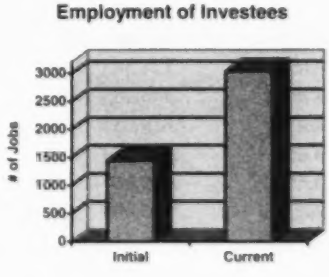
SGGF IV: In 2002, the focus of SGGF IV changed from placing investor capital to the liquidation of investments to meet investor repayment obligations scheduled to begin in early 2003. SGGF IV ended the year with an accumulated surplus of $0.5 million. At year-end, SGGF IV had $13.4 million invested in Saskatchewan businesses. At the end of 2002, this Fund had 128 notes representing $32.0 million in investor capital. In 2003, SGGF IV will make partial payments on maturing investor notes due to expected timing differences between planned investment liquidations and maturity of investor repayment obligations.

SGGF V: SGGF V ended the year with an accumulated deficit of $89.4 thousand. During the year, SGGF V placed $8.8 million in Saskatchewan businesses bringing the total amount invested to $14.7 million. At the end of 2002, the Fund had 102 notes issued representing $25.5 million in investor capital. Of the 102 notes outstanding on December 31, 2002, 17 are scheduled to mature in 2003, 59 in 2005 and 26 in 2006.

SGGF VI, SGGF VII and **SGGF VIII:** These Funds were launched in 1999, and are focused on investment of investor capital and collection of the full subscription amount from remaining subscribers. Over $1 million in new subscriptions were received during the year. The Funds have placed $17.6 million in new investments during this period and are working to meet the 70% investment requirement. In order to compete with the other provincial immigrant investor funds, these Funds offer leveraged financing options to investors similar to other provinces.







MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Outlook for 2003

SGGF I will continue to work towards liquidation of its remaining investments at values in excess of cost. The priority for SGGF II and SGGF III will be liquidation of its remaining investments for as great a value as possible in order to maximize payments to remaining investors. SGGF IV and SGGF V have changed their focus to divestment of their portfolios in order to provide the cash for continued investor repayments.

The newest Funds, SGGF VI, SGGF VII and SGGF VIII, will be focused on investment of the capital raised to date and attracting full subscription amounts from the remaining depositors.

Summary of Financial Position

As at December 31, 2002

	Cash	Portfolio Investments and Investments	Other Assets	Total Assets	Liabilities	Fund Balance
SGGF I	$ 624,536	$ 1,350,424	$ 1,043,790	$ 3,018,750	$ 217,519	$ 2,801,231
SGGF II	739,798	2,174,445	1,953	2,916,196	11,754,833	(8,838,637)
SGGF III	1,633,811	7,753,407	503,012	9,890,231	15,332,363	(5,442,132)
SGGF IV	5,461,691	26,802,433	785,873	33,049,997	32,577,136	472,861
SGGF V	2,068,822	24,956,266	1,236,143	28,261,231	28,350,620	(89,389)
SGGF VI	3,576,086	17,285,589	1,407,436	22,269,110	22,768,782	(499,672)
SGGF VII	3,140,336	16,632,551	1,436,965	21,209,852	21,906,961	(697,109)
SGGF VIII	3,641,178	10,840,883	1,036,253	15,518,314	15,783,597	(265,283)
Total	$ 20,886,258	$ 107,795,998	$ 7,451,425	$ 136,133,681	$ 148,691,811	$(12,558,130)

Summary of Results of Operations

For the Year Ending December 31, 2002

	Revenues	Administrative Expenses	Financial Expenses	Total Expenses	Income from Operations	Provision for Investment Losses	Net Earnings/(Loss)
SGGF I	$ 467,786	$ 53,890	$ --	$ 53,890	$ 413,896	$ 631,879	$ (217,983)
SGGF II	124,543	(372,405)	365,356	(7,049)	131,592	29,217	102,375
SGGF III	446,983	512,731	379,764	892,495	(445,512)	132,132	(577,644)
SGGF IV	1,639,056	922,732	483,330	1,406,062	232,994	794,984	(561,990)
SGGF V	1,251,350	759,293	442,998	1,202,291	49,059	793,750	(744,691)
SGGF VI	969,914	653,118	687,065	1,340,183	(370,269)	58,366	(428,635)
SGGF VII	905,463	639,517	634,249	1,273,766	(368,303)	60,972	(429,275)
SGGF VIII	634,313	460,856	380,283	841,139	(206,826)	65,662	(272,488)
Total	$ 6,439,408	$ 3,629,902	$ 3,373,045	$ 7,002,777	$ (563,369)	$ 2,566,962	$ (3,130,331)

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements have been prepared by management of Saskatchewan Government Growth Fund Management Corporation. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements, meeting with management, the Corporation's external auditors Deloitte & Touche, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

Deloitte & Touche has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.

On behalf of management,

Kathryn Buitenhuis

Kathryn Buitenhuis
President

John Amundson, CA
Chief Financial Officer

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the Consolidated Statement of Financial Position of Saskatchewan Government Growth Fund Management Corporation as at December 31, 2002, and the Consolidated Statement of Operations and Retained Earnings and Consolidated Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement preparation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Regina, Saskatchewan
January 30, 2003

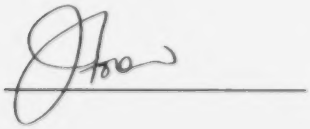
FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Financial Position
As at December 31

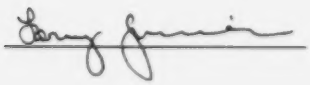
	2002	2001
Assets		
Cash	$ 1,654,682	$ 652,960
Accounts receivable	131,911	129,535
Note receivable (Note 3)	1,035,000	2,000,000
Investments (Note 4)	1,350,424	1,548,781
Investments in fund companies (Note 5)	8,000	8,000
Capital assets (Note 6)	3,813	5,898
	$ 4,183,830	$ 4,345,174
Liabilities		
Accounts payable and accrued liabilities (Note 7)	$ 426,591	$ 180,653
Commissions payable	58,050	58,050
Dividend payable to General Revenue Fund	800,000	-
	1,284,641	238,703
Province of Saskatchewan's Equity		
Equity advances (Note 8)	1,031	1,031
Retained earnings	2,898,158	4,105,440
	2,899,189	4,106,471
	$ 4,183,830	$ 4,345,174

See accompanying notes to the consolidated financial statements.

On behalf of the Board:



Director



Director

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Operations and Retained Earnings
For the Year Ended December 31

	2002	2001
Revenues		
Management fees (Note 12)	$ 2,885,141	$ 3,171,188
Investment income	274,478	567,282
Interest and other income	198,207	243,483
	3,357,826	3,981,953
Expenses		
Fund manager fees	2,460,328	2,831,953
Legal fees and professional fees	504,844	373,986
Directors' fees and expenses	162,747	95,852
General administration	3,225	20,275
Investment advisor fees	-	10,786
Amortization of capital assets	2,085	2,085
	3,133,229	3,334,937
Income before investment losses	224,597	647,016
Provision for investment losses	(633,522)	(3,401,489)
Allowance for unrealized losses	1,643	17,620
Net Loss	(407,282)	(2,736,853)
Retained earnings, beginning of year	4,105,440	6,842,293
Dividend to General Revenue Fund	(800,000)	-
Retained earnings, end of year	$ 2,898,158	$ 4,105,440

See accompanying notes to the consolidated financial statements.

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Cash Flows
For the Year Ended December 31

	2002	2001
Operating activities		
Net loss	$ (407,282)	$ (2,736,853)
Items not affecting cash from operations:		
Amortization of capital assets	2,085	2,085
Provision for investment losses	633,522	3,401,489
Allowance for unrealized losses	(1,643)	(17,620)
Write-off of capital assets	-	8,852
Net change in non-cash balances related to operations (Note 11)	243,562	(520,064)
Cash provided by operating activities	470,244	137,889
Investing activities		
Sales of portfolio investments	-	620,156
Disbursements on investments	(433,522)	(454,620)
Proceeds from collection of investments	-	104,165
Proceeds from collection of note receivable	965,000	-
Cash provided by investing activities	531,478	269,701
Net increase in cash during year	1,001,722	407,590
Cash position, beginning of year	652,960	245,370
Cash position, end of year	$ 1,654,682	$ 652,960
Interest paid during the year	$ -	$ 17,714

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation
December 31, 2002

1. Status of the Corporation

Saskatchewan Government Growth Fund Management Corporation (SGGF Management Corporation) has been established for the purpose of creating and managing fund companies that have been accepted as government administered venture capital funds under the federal government's Immigrant Investor Program (IIP). Order-in-Council #660/1998 establishes that the provisions of ***The Crown Corporations Act, 1993*** apply. Accordingly, the financial results of SGGF Management Corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC).

These consolidated results include the investment activities of SGGF Management Corporation's subsidiary, Saskatchewan Government Growth Fund Ltd. (SGGF I).

SGGF Management Corporation is a provincially owned Crown corporation and therefore is not subject to federal or provincial income taxes.

2. Significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Statement of Operations and Retained Earnings in the period in which they become known.

Consolidation

The consolidated financial statements include the accounts of SGGF Management Corporation and its subsidiary, SGGF I. All intercompany transactions and balances have been eliminated. See Note 10 for additional information.

Investments

Investments include debt investments in private companies, and equity investments in private and public companies. Income from debt investments is recognized as earned and income from equity investments is recognized when received.

Debt investments are carried at cost, net of provisions for credit losses.

Provisions for credit losses are established on impaired debt instruments (loans). A loan is considered to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired include the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income

2. Significant accounting policies (continued)

ceases. A provision for specific credit losses is established for impaired loans to reduce their value to the estimated fair value of the security underlying the loan. If the credit quality of the loan subsequently improves, a provision is reduced or reversed.

Investments in publicly traded equities are carried at the lower of cost and market where market is determined as the average closing market price over the last 20 trading days prior to the financial statement date, with adjustment to reflect lack of market liquidity.

Investments in equities in private companies are carried at the lower of cost and, where a loss in value that is other than temporary has occurred, net realizable value. Investments that are evaluated as possibly being subject to a loss in value are assessed periodically based on appropriate criteria, including past operating results of the investee and arm's length parties, and liquidity or going concern problems of the investee.

When a decline in the value of an equity investment in a private company is no longer considered to be temporary, the investment is written down and carried at the written down value until disposal of the equity investment.

SGGF I intends to dispose of its investments in due course. Accordingly, investee companies over which SGGF I has significant influence are not consolidated.

Investments in fund companies

As at December 31, SGGF Management Corporation owns 100% of the Class A common shares of seven companies, collectively known as "the funds":

Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

SGGF Management Corporation does not guarantee the performance of the funds nor does it share in the risks of ownership until all investor obligations have been satisfied. Investments in the funds are recorded at cost. Readers should refer to the audited financial statements of the funds for further information on their financial position and operating results.

Capital assets

Capital assets are recorded at cost. When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Capital assets are amortized over their estimated useful lives on a straight-line basis.

3. Note receivable

Included in note receivable is a $1,035,000 (2001 - $2,000,000) note from Saskatchewan Government Growth Fund II Ltd. (SGGF II) payable on demand and bearing an interest rate of 10% per annum.

4. Investments

	2002	2001
Debt	$ 3,332,930	$ 2,999,555
Equity	407,421	662,767
Provision for investment losses	(2,389,927)	(2,111,898)
Allowance for unrealized losses	-	(1,643)
	$ 1,350,424	$ 1,548,781

Included in investments is $3,588,362 (2001 - $3,510,332) of impaired investments, net of accumulated provision for losses of $2,389,927 (2001 - $2,111,898), upon which income is not accrued. During the year $48,146 (2001 - $5,534,917) of investments and costs have been written off.

Equity investments include publicly trades shares at a cost of $108,622 (2001 - $108,622), with an aggregate market value of $67,515 (2001 - $107,280).

During the year investments decreased as follows:

	2002	2001
Balance, beginning of year	$ 1,548,781	$ 4,582,194
New investments	381,076	454,620
Repayments	(254,901)	(104,165)
Investments and costs written off	(48,146)	(6,046,815)
Net change in provision for investment losses	(278,029)	2,060,342
Net change in allowance for unrealized losses	1,643	602,605
Balance, end of year	$ 1,350,424	$ 1,548,781

5. Investments in fund companies

	2002	2001
Shares, at cost:		
SGGF II	$ 1,000	$ 1,000
SGGF III	2,000	2,000
SGGF IV	1,000	1,000
SGGF V	1,000	1,000
SGGF VI	1,000	1,000
SGGF VII	1,000	1,000
SGGF VIII	1,000	1,000
	$ 8,000	$ 8,000

6. Capital assets

	Rate	Cost	2002 Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Furniture and office equipment	14.29%	$ 14,597	$ 10,784	$ 3,813	$ 5,898

7. Accounts payable and accrued liabilities

Included in accrued liabilities is a $100,000 (2001 - $100,000) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF I. It is payable to the fund manager only upon satisfaction of all liabilities of the fund. Also included in accrued liabilities is $205,738 payable to a fund manager in response to disputes over calculations of service fees arising under the fund manager's contracts. The payment will be disbursed upon signing of arbitration agreements. Any further amounts owing under arbitration will be charged back to the fund companies and treated as a period expense.

8. Equity advances

SGGF Management Corporation does not have share capital. However, SGGF Management Corporation has received advances from CIC to form its equity capitalization. The advances are an equity investment in SGGF Management Corporation by CIC.

9. Financial instruments

SGGF I's primary business is the investment of funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk.

Market Risk

Market risk faced by SGGF I is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the businesses in which SGGF I invests. Some of the companies in which SGGF I invests are dependent upon a single product or industry. SGGF I manages these risks through careful due diligence prior to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF I restricts investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such companies to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SGGF I conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its companies on an on-going basis. In addition, some companies operate in and export to other provinces or international markets thereby mitigating this risk.

9. Financial instruments (continued)

Interest Rate Risk

Interest rate risk reflects the risk that SGGF I's earnings will decline due to fluctuations in interest rates. SGGF I manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its liabilities.

Liquidity Risk

Liquidity risk is the risk that difficulty will be encountered in liquidating its investments at an amount close to fair value. Since the last of the investors in SGGF I have been redeemed there is no immediate need to liquidate the remaining investments. SGGF I intends to hold these investments until it is able to liquidate them at an amount close to fair value.

Fair Value – Investments

There is no active secondary market for many of the investments in which SGGF I invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

10. Consolidation of SGGF I

The results of SGGF I have been consolidated and accounted for using the purchase method. Summarized financial statements of SGGF I are as follows:

	2002	2001
Statement of Financial Position		
Cash	$ 624,536	$ 393,142
Investments	1,350,424	1,548,781
Other assets	1,043,790	2,048,016
	$ 3,018,750	$ 3,989,939
Liabilities	$ 217,519	$ 170,725
Equity	2,801,231	3,819,214
	$ 3,018,750	$ 3,989,939
Statement of Operations		
Revenues	$ 467,786	$ 800,584
Expenses	(53,890)	(143,359)
Investment losses	(631,879)	(3,383,869)
Net loss	$ (217,893)	$ (2,726,644)

11. Net change in non-cash balances related to operations

	2002	2001
Accounts receivable and accrued income	$ (2,376)	$ 108,371
Accounts payable and accrued liabilities	245,938	(628,435)
	$ 243,562	$ (520,064)

12. Related party transactions

Included in these financial statements are transactions with the funds, various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SGGF Management Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

As stated in Note 3, SGGF I holds a note receivable from SGGF II. Total interest received and receivable from SGGF II during the year was $176,825 (2001 - $216,940).

Under the terms of ten year Management Agreements between SGGF Management Corporation and the funds, SGGF Management Corporation administers the assets of the funds. The Agreements expire in the following years:

SGGF II	2003
SGGF III and IV	2004
SGGF V	2008
SGGF VI, VII and VIII	2009

SGGF Management Corporation is engaged to provide substantially all of the management services required by the funds. SGGF Management Corporation uses the assistance of various investment advisors and, beginning October 1, 2001, a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. All services provided to the funds are charged on a fee for service basis. Total fees received or receivable from the funds during the year amounted to $2,885,141 (2001 - $3,171,188).

CIC provides management services to SGGF Management Corporation without charge.

Other transactions with related parties are disclosed separately in the financial statements and notes thereto.

13. Contingencies

SGGF I, together with other parties, is a defendant in several legal actions. SGGF I believes that the claims are without merit and will vigorously contest the lawsuits. No amounts have been provided for in these financial statements. It is not possible to predict the ultimate outcome of the outstanding litigation.

14. Comparative figures

Certain figures have been reclassified to conform to the current years' presentation.

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Mr. Larry Spannier, Vice-Chair
Mr. Ron Styles
Ms. Joanne Forer

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Saskatchewan Government Growth Fund III Ltd.
Saskatchewan Government Growth Fund IV Ltd.
Saskatchewan Government Growth Fund V (1997) Ltd.
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